

REGULATORY IMPACT ANALYSIS FOR RESIDENTIAL FURNACES AND BOILERS

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1.0 INTRODUCTION

Under the Process Rule policies, the Department is committed to continually explore non-regulatory alternatives to standards. The Department will prepare a draft regulatory analysis pursuant to E.O. 12866, "Regulatory Planning and Review," which will be subject to review under the Executive Order by the Office of Information and Regulatory Affairs (OIRA). 58 FR 51735 October 4, 1993. The Department identified six major alternatives to standards as representing feasible policy options to achieve customer product energy efficiency. It will evaluate each alternative in terms of its ability to achieve significant energy savings at a reasonable cost, and will compare the effectiveness of each one to the effectiveness of the rule. The Department will conduct this analysis during the Notice of Proposed Rulemaking (NPR) stage of this rulemaking.

The non-regulatory means of achieving energy savings that DOE proposes to analyze are listed in Table 1.1. The Technical Support Document (TSD) in support of DOE's NPR will include a complete quantitative analysis of each alternative, the methodology for which is discussed in brief below.

Table 1.1 Non-Regulatory Alternatives to Standards

-No new regulatory action
-Consumer tax credits
-Manufacturer tax credits
-Performance standards
-Rebates
-Voluntary energy efficiency targets
-Early replacement
-Mass government purchases

2.0 METHODOLOGY

The Department will use the national energy savings (NES) Spreadsheet Model to calculate the national energy savings NES and the net present value (NPV) corresponding to each alternative to the proposed standards. To compare each alternative quantitatively to the proposed conservation standards, it will be necessary to quantify the effect of each alternative on the purchase and use of energy-efficient consumer products. Once each alternative is properly quantified, DOE will make the appropriate revisions to the inputs in the NES Spreadsheet Model.

The key measures of the impact of each alternative will be:

- National Energy Savings: Cumulative national energy use from the base case forecast projection less the alternative policy case projection.
- Net Present Value: The value of future operating cost savings from furnaces and boilers bought in the period from the effective date of the new standard to the year 2030. The Department calculates the NPV as the difference between the present value of equipment and operating expenditures (including energy) in the base case forecast, and the present value of expenditures in each alternative policy case. The Department discounts future operating and equipment expenditures to 2001 using a seven percent real discount rate. It calculates operating expenses (including energy) for the life of the equipment.